

# **Minnesota Housing Neighborhood Stabilization Program Webinar**

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**Wednesday, September 26, 2012– 10:00 am**

## **-Welcome-**

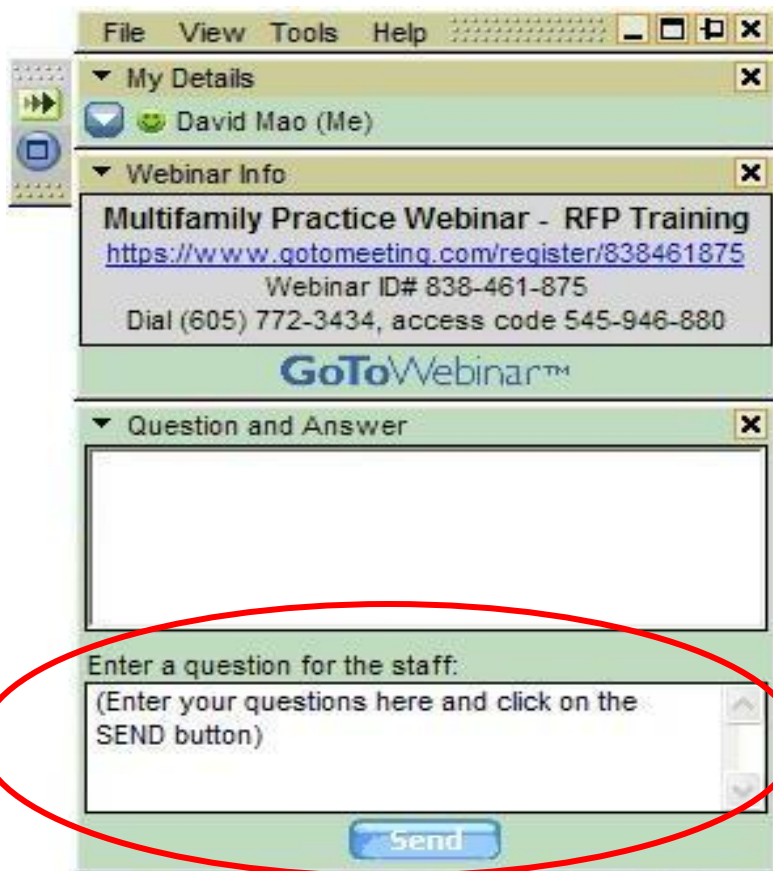
**The presentation will begin in a few minutes to allow for registrants to log into the system. When you join the presentation, you may or may not hear background music. Please stay on the line.**

**To join the conference call:**

**Dial: 1-888-824-5783 - Access Code: 18785301, then hit #**

- If you are having difficulty joining, please e-mail: [dana.stibbins@state.mn.us](mailto:dana.stibbins@state.mn.us)**

# Questions During Presentation



- We will batch online questions and answer them throughout the webinar
- A complete Q & A list will be posted to the Minnesota Housing website when training is completed
- All presentation materials from Minnesota Housing are posted on our website at:

[http://www.mnhousing.gov/resources/training/sf-assistance/MHFA\\_11633.aspx](http://www.mnhousing.gov/resources/training/sf-assistance/MHFA_11633.aspx)



# **Neighborhood Stabilization Program**

## **Approaching March 2013**

### **NSP1 and NSP3 Deadlines**



**Preserve** existing affordable housing.

Provide new **opportunities**  
for **affordable** housing.

**Prevent** and **end** homelessness.

Mitigate foreclosure **impact** through  
**prevention** and **remediation**.

**Build** our organizational capacity to **excel**  
and **achieve** our vision.

# Approaching March 2013

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**Ruth Simmons**  
**NSP Coordinator, Grant**  
**Administrator,**  
**Community Development,**  
**Single Family Division**

# Agenda Overview/ Speakers

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- **Leveraging Lender Portfolio Products**
  - » Tal Anderson
- **Bridge to Success**
  - » Luis Pereira
- **2011 Green Overlay Implementation**
  - » Summer Watson
- **Close Out Reports – Top 5 Repeated Errors**
  - » Summer Watson
- **Approaching March 2013: Monitoring Highlights**
  - » Ruth Simmons
- **Approaching March 2013; What We Know**
  - » Ruth Simmons

# Leveraging Lender Portfolio Products

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**Tal Anderson**  
**Manager, Community**  
**Development,**  
**Single Family Division**

# Leveraging Portfolio Products

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- **NSP home purchasers may consider portfolio loan programs in addition to other mortgage programs (Minnesota Housing, FHA, VA, etc)**
- **Portfolio loans often provide additional underwriting flexibility, including:**
  - » **Credit Scores**
  - » **Ratios**
  - » **Non-traditional credit**



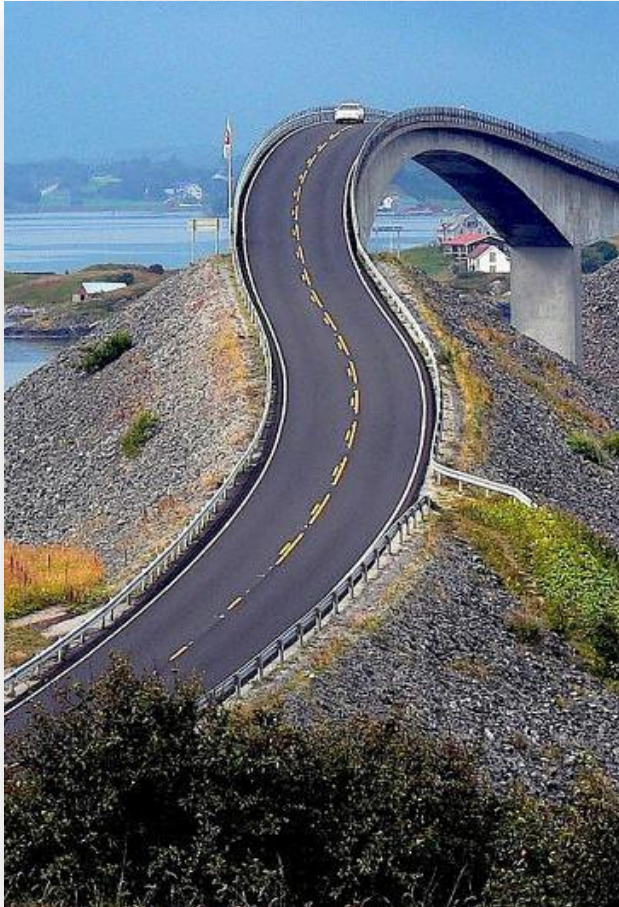
# Leveraging Portfolio Products

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| Lender Name | Product Name   | Contact        | Phone Number |
|-------------|----------------|----------------|--------------|
| US Bank     | American Dream | Kathy Luebke   | 651-778-2671 |
|             |                | Vincent Jung   | 612-728-8308 |
| Bremer Bank | Gateway        | Vickie Reardon | 651-259-2510 |
|             |                | Esther Drew    | 763-569-2617 |

# Bridge To Success

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**Luis Pereira**  
**Team Lead, Foreclosure  
Remediation Team,  
Community Development,  
Single Family Division**

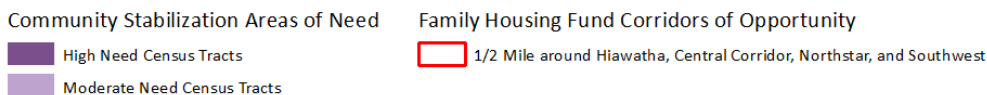
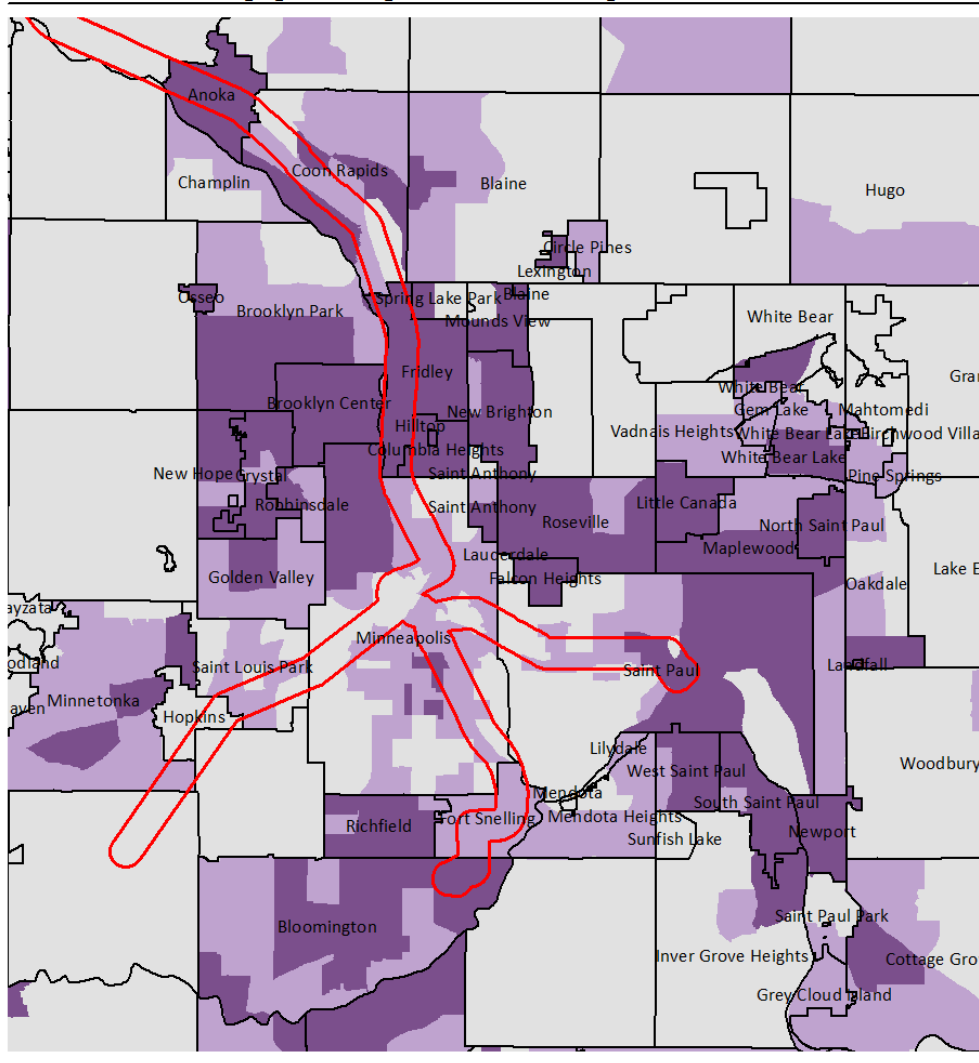
# Bridge to Success

## Contract for Deed

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- **Alternative financing tool - to reduce inventory in foreclosure-stressed neighborhoods**
- **Originator = SHOP Home Mortgage (GMHC & Dayton's Bluff NHS)**
- **7.5% interest rate, 30-year term; 10-year balloon so that borrowers can refinance to trad'l mortgage**
- **Max loan amount = \$225,000**



# Bridge to Success

- Target area
  - Mpls/St. Paul & inner-ring, AND either
    - Moderate or high need for community stabilization (Census tracts)
    - or
    - Within 1/2 mile buffer of rail transit (Corridor of Opportunity)
  - Priority on foreclosed and/or NSP properties (not required)

# Bridge to Success

## Underwriting

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- **Those ineligible for market rate mortgage financing**
- **Income  $\leq$  115% of AMI (generally)**
- **No minimum credit score (12 mo history considered)**
- **31% front-end ratio & 41% back-end ratio**
- **Recent bankruptcy and/or foreclosure – borrowers considered based on individual circumstances**

# Bridge to Success

## Other Requirements

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- **Minimum borrower investment = lesser of \$2,000 or 2% of sales price**
- **Maximum LTV ratio = 100% on straight sale and 110% on purchase/rehab transactions**
- **Pre- and post-closing homebuyer education and financial counseling is required**

# Bridge to Success

## Counseling & Financial Coaching

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- **Home Stretch education referral - required**
- **Meet with counselors every 6 months for the first 3 years; annually thereafter**
- **Financial counseling agencies**
- **More info at:**
  - **[shop-mortgage.org/financing/bridge-to-success](http://shop-mortgage.org/financing/bridge-to-success)**
  - **[shop-mortgage.org/wp-content/uploads/2012/06/Contract-for-Deed-Info-Booklet.pdf](http://shop-mortgage.org/wp-content/uploads/2012/06/Contract-for-Deed-Info-Booklet.pdf)**

# 2011 Green Overlay & Top 5 Close Out Errors

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**Summer Watson**  
**NSP Grant Administrator,**  
**Community Development,**  
**Single Family Division**



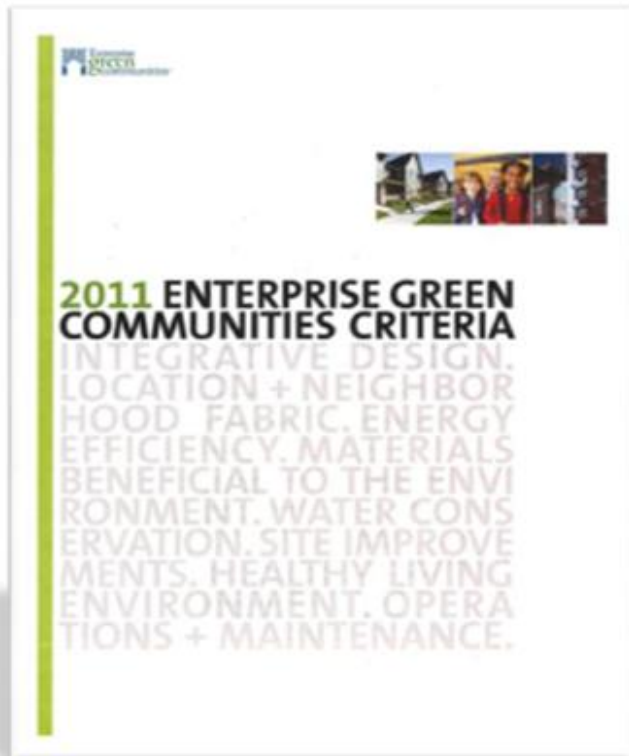
# 2011 Green Overlay

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- **What does this change mean?**
  - » **Moving from the 2008 Green Criteria as modified by the 2009-2010 Minnesota Overlay to the Overlay and Guide to the 2011 Enterprise Green Communities Criteria (EGCC 2011)**
  - » **Forms and submittal requirements have changed**
  - » **Agency program alignment; note changes highlighted with check mark on webinar recording.**
- **Effective date of change**
  - » **For all new projects which are obligated (purchase contract) after November 1, 2012.**

# 2011 Green Overlay

- <http://www.enterprisecommunity.com/solutions-and-innovation/enterprise-green-communities/criteria>
- [http://www.mnhousing.gov/housing/architects/MHFA\\_007963.aspx](http://www.mnhousing.gov/housing/architects/MHFA_007963.aspx)



# 2011 Green Overlay

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- **Funding Source is NSP1 and NSP3**
- **How to use the Green Overlay document:**
- **When applying Overlay and Guide to your NSP project, consider the unit count and # of stories to determine your building type**
  - » **Building type requirements 2011 EGCC use**
    - **Single Family = 1 to 4 unit dwelling**
    - **Multifamily = greater than 4 units, less than 3 stories**
    - **Multifamily = 4 Stories or more**

# 2011 Green Overlay

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- **When applying Overlay and Guide to definitions of construction type use the following to interpret your activity in NSP.**
  - » **New construction = Reconstruction and new construction activities**
  - » **Moderate or substantial rehab = regular rehab or gut rehab.**

# 2011 Green Overlay

## NSP Differences to Mention

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- **NSP3 – Criteria 5.1a – Building performance standards applies to substantial/gut rehab and new construction**
- **NSP3 – Criteria 5.1d for Multifamily: 4 stories or more the ASHRAE Standard 90.1-2004 applies**
- **Basement exception: Waivers are no longer required for below grade ground connected concrete slabs – must meet criteria outline in section 7.2.**
- **When reviewing the webinar recording note mandatory and optional items.**

# 2011 Green Overlay

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- Listen to the webinar provided by the Agency

| Training Resources   |   |
|--|---|
| <a href="#">Enterprise Green Communities<br/>PowerPoint Presentation Materials</a> | <a href="#">Enterprise Green Communities<br/>Recorded Webinar</a> |

## Neighborhood Stabilization Program (NSP)

[http://www.mnhousing.gov/resources/training/sf-assistance/MHFA\\_011786.aspx](http://www.mnhousing.gov/resources/training/sf-assistance/MHFA_011786.aspx)

# Top 5 Close Out Errors

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**Summer Watson**  
**NSP Grant Administrator,**  
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# Top 5 Close Out Errors

## Close Out Report – When is it required?

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- **After the property is sold to the homebuyer, or,**
- **After the property is rented to a household, or,**
- **For land banks where the redevelopment is not immediate, or,**
- **For demolished projects where the redevelopment or end use is not immediate.**
- **All expenditures should have been drawn.**





# Top 5 Close Out Errors

## Final Submission

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- **Do not complete and send report until you have:**
  - » **Obligated all expenditures on the project**
  - » **Increased obligations as needed, as you approved**
  - » **Posted/remitted all draws incurred for the project**
  - » **The household beneficiary information, i.e., income, head of household, renter, owner, low income percentage, 30%, 50%, 120%, # of units**



# Top 5 Close Out Errors

## Misplaced Information

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- **Top two boxes – pg. #4 – Buyer Driven:**
  - » For buyers who initiated the purchase of their home by seeking NSP assistance through Activity A, B, or E.
- **Bottom two boxes – pg. #4 – City/County Driven:**
  - » For Subrecipient Activities B, C, D, and E complete the Value Gap and or Affordability Gap as applicable
- **Page 4 – middle of the page: City/County Driven:**
  - » For Subrecipient Activities B, C, D, and E.  
Complete all columns & rows as applicable



# Top 5 Close Out Errors

## Documents to check and attach

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- **HUD-1 acquisition document**
- **For properties acquired through First Look, include the First Look HUD1**
- **HUD-1 disposition document**
- **For properties sold to the developer first then rehabbed and then resold to the homebuyer, please include the two HUD-1's that show these transfers.**
- **Check that your numbers on the Close out can be verified on the HUD-1's. If not include explanation.**



# Top 5 Close Out Errors

## Expectations

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- **After-improved appraised value amount (pg #3): If the Sub recipient did a City/County Acquisition rehabilitation/redevelopment**
- **Value gap (pg #4): After-improved appraised value is lower than the TDC**
- **Affordability gap (pg #4): Price lower than after-improved appraised value**
- **All funds posted and sources (pg. #5)**
- **Review instructions on web page**



# Top 5 Close Out Errors

## Expectations

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Review instructions on web page

- [http://www.mnhousing.gov/idc/groups/homes/documents/webcontent/mhfa\\_008794.pdf](http://www.mnhousing.gov/idc/groups/homes/documents/webcontent/mhfa_008794.pdf)



# Approaching March 2013

## Monitoring Highlights

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**Ruth Simmons**  
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**Single Family Division**

# Approaching March 2013

## Monitoring Highlights

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- **Tier II Clearance**

- » **Must have letter in file.**

- **Sample of Tier II clearance letter on web site.**

- **Rehab Certification**

- » **Documentation must verify the rehabilitation work met Minnesota Housing's rehabilitation standards.**

- **Sample Certification form on web site.**

- **Lead Based Paint**

- » **Must prove compliant.**

- **Lead Safe Housing Rule Screening Worksheet Certification form on web site.**

# Approaching March 2013

## Monitoring Highlights

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- **Debarment checks**
  - » Must be executed for contractor and subcontractors.
- **Home program rent standards at 24 CFR 92.252(a)**
  - » Calculated rents are compliant. Minnesota Housing posts rent limits yearly.
- **Prohibited Lease Provisions**
  - » Certify that lease does not contain prohibited provisions
    - Sample Lease Approval Certification on web site



# Approaching March 2013

## Monitoring Highlights

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- **Costs Reasonable**
  - » Verify that costs incurred are reasonable – comparative costs estimates must be documented even when procurement is not required.
- **Invoices must add up to the expenditures on the project.**
- **Appraisal must be in file**
- **After-improved appraised value method consistent for all projects.**

# Approaching March 2013

## Monitoring Highlights

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- **First Look**
  - » **Copy of acquisition contract must be in file.**
- **Part 5 Methodology**
  - » **Documentation of income and assets is sufficient for monitoring the project file.**
    - **Multiple forms to properly document the file were added to the web site.**

# Approaching March 2013

## What We Know

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**Ruth Simmons**  
**NSP Coordinator, Grant**  
**Administrator,**  
**Community Development**  
**Single Family Division**

# Approaching March 2013

**What We Know: NSP 1 – March 24, 2013**

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- **Grantee must meet expenditure deadline**
  - » **Minnesota Housing met the deadline - March of 2012**
  - » **Current grant status = A per HUD's report**
- **Minnesota Housing's Sub recipient must meet expenditure deadline**
  - » **100% of the value of your grant funds must be expended. Most Sub recipients have met this.**
  - » **LH expenditure must be 25.4% or higher.**
  - » **Last draw or expenditure report must be received by Minnesota Housing no later than March 11, 2013.**

# Approaching March 2013

## What We Know: NSP1 - March 24, 2013

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- **Failure to meet the 100% NSP1 expenditure threshold and the 25.4% low income expenditure is a violation of your contract with Minnesota Housing.**

# Approaching March 2013

## What We Know: NSP3 - March 10, 2013

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- **Failure to meet the 50% NSP3 expenditure is a violation of your contract with Minnesota Housing.**
- **This may cause Minnesota Housing to not meet its NSP3 50% expenditure threshold with HUD.**
  - » **HUD will exercise recapture based on a finding of non-compliance.**

# **Approaching March 2013**

## **What We Know: Expenditures**

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- **Expenditure means encumbered costs:**
  - » **Must have an invoice, not just a contract or completed work**
  - » **Keep invoice available should HUD or Minnesota Housing request to see a copy.**
  - » **Expenditures must be obligated on the DRAW form and reported on the Expenditure Report by:**
    - **March 11, 2013 for NSP1**
    - **February 25, 2013 for NSP3**
  - » **Draw must follow within 30 days of expenditure obligation.**

# Approaching March 2013

## What We Know: Expenditure Report

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- [http://www.mnhousing.gov/partners/lenders/programs/MHFA\\_008368.aspx](http://www.mnhousing.gov/partners/lenders/programs/MHFA_008368.aspx).
- Example of report is shown on next slide
- All columns and rows are not required. Only complete
  - » property address, unit count, activity type
  - » latest activity
  - » associated expenditure, date, invoice #
  - » Continue to provide updates as applicable



# Approaching March 2013

## Expenditure Report Example

### NSP3 Property Status /Expenditure Report

Date:

| Property Address                | Unit Count | Activity | Agreement with Developer or contractor executed | Purchase offer made on: | Closing Date/<br>Confirmed Y/N | Scope write up complete date | Bidding Complete date | Construction Begin (date) | Obligation amount | Accrued Invoice number/date | Accured Invoice \$ Amount due on DRAW form in 30 days |
|---------------------------------|------------|----------|---|-------------------------|--------------------------------|------------------------------|-----------------------|---------------------------|-------------------|-----------------------------|---|
| <b>Administrative</b>           |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           | Subtotal          | \$0.00                      | \$0.00  |
| <b>Acquisition</b>              |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           | Subtotal          | \$0.00                      | \$0.00  |
| <b>25% Low Income Set Aside</b> |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           |                   |                             |   |
|                                 |            |          |   |                         |                                |                              |                       |                           | Subtotal          | \$0.00                      | \$0.00  |

[illegible]

# **Approaching March 2013**

## **What We Know: NSP 1 At Deadline**

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- **Program Income will likely need to be returned.**
- **You can obligate these funds prior to the deadline. Funds obligated will not be requested returned.**
  - » **PI contracts fully ratified must be in place.**
  - » **DRAW form showing PI obligation must be received.**
  - » **Date of final intake is March 11, 2013.**
- **Grant remains open & reporting continues in DRGR.**
- **Continue completing properties, selling, renting, and documenting the National Objective.**

# **Approaching March 2013**

## **What We Know: NSP1-Before March 24 Deadline**

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- **Expending remaining grant funds and PI earned**
- **Documenting the National Objective**
- **As PI revolved becomes smaller, options to consider:**
  - » **Return the program income to Minnesota Housing, or,**
  - » **Change your activities; write your contracts timely**
    - **DPA Buyer Driven Activity, or,**
    - **Provide DPA to your developer projects being sold, or,**
    - **Change your program to cover the gap only, or,**
    - **Apply the 10% to your administration.**
    - **Adjust your Environmental Review as applicable.**

# **Approaching March 2013**

## **What We Know: NSP1 – After March 24<sup>th</sup> Deadline**

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- **NSP1 – After March 24 deadline - Continue:**
  - » **Completing projects, reselling, and renting them**
  - » **Documenting the National Objective**
  - » **Likely required to continue returning PI earned to Minnesota Housing**
    - **HUD Notice is forthcoming**
- **Close Out – Occurs after March 24 deadline**
  - » **When original activities are complete and funds are fully drawn from DRGR**
  - » **National Objective is met and documented in DRGR**

# **Approaching March 2013**

## **What We Know – NSP1 – After Close Out**

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- **DRGR outcome/results reporting in IDIS, not DRGR**
- **Program Income becomes CDBG funds, however, it retains all NSP rules, such as low moderate, and middle income limits.**
- **Minnesota Housing must track and document end use or re-use of NSP assisted real property owned by Minnesota Housing or Sub recipient.**

# Summary

## Timeline

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- **Before deadlines**
  - Continue expending/obligating program income and program funds, and documenting the Nat'l Objective.
- **Submit expenditure/draw prior to deadlines.**
  - Expenditures count
  - Obligations - fully ratified contracts

# Summary

## Timeline

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- **At deadline, PI most likely returned.**
  - **NSP1 - 100% of value of grant expended**
  - **NSP1 – LH expenditure at 25.4%**
  - **NSP3 – 50% of value of grant expended**
  - **Not all projects need to be completed.**
  - **Not all projects have met Nat'l Objective**
  - **Continue expending/obligating, and documenting the Nat'l Objective.**
- **NSP1 Close Out occurs after deadline**
  - **Original projects are completed and funds are fully drawn in DRGR (1–2 years later)**

# NSP Contacts

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**Ruth Simmons**

**651.297.5146**

**ruth.simmons@state.mn.us**

**Summer Watson**

**651.296.9790**

**Summer.watson@state.mn.us**

**Or**

**Minnesota Housing**

**Single Family Homes Division Help Desk**

**7:30am to 5:00pm**

**651-296-8215 or 800-710-8871**



# Questions

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**This webinar  
recording will be  
posted on our  
Minnesota Housing  
website.**





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# Thank you

A photograph of two young girls of African descent standing on a staircase. The girl on the left is taller, wearing a white t-shirt, and has her arms around the shoulders of the younger girl. The younger girl is wearing a red shirt and has a small American flag pin on her chest. Both girls are smiling warmly at the camera. The background is a plain, light-colored wall.

Minnesota Housing finances  
and advances affordable housing  
opportunities for low and moderate  
income Minnesotans to  
enhance quality of life and foster  
strong communities.

Photo by Scott Simble